

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Powell, Michigan	County Marquette
Fiscal Year End 3/31/06	Opinion Date 10/13/06	Date Audit Report Submitted to State 2-24-07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

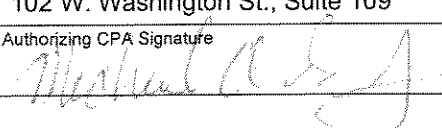
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe) Single Audit Report	<input checked="" type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman, & Company, PLC		Telephone Number 906-225-1166	
Street Address 102 W. Washington St., Suite 109		City Marquette	State MI
Zip 49855			
Authorizing CPA Signature 	Printed Name Michael Alan Greutz	License Number 1101027988	

TOWNSHIP OF POWELL, MICHIGAN
FINANCIAL STATEMENTS
For the Year Ended March 31, 2006

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REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

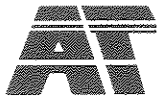
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ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Supervisor and Members of
The Township Board of Trustees
Township of Powell, Michigan
P.O. Box 39
Big Bay, Michigan 49808

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining information as of and for the year ended March 31, 2006, which collectively comprise the Township of Powell, Michigan's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Powell, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining information of the Township of Powell, Michigan as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 13, 2006 on our consideration of the Township of Powell, Michigan's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and other matters and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison Information on pages 5 through 9 and 32 through 33, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain

Honorable Supervisor and Members of the Township Board of Trustees
Township of Powell, Michigan

limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Powell, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Powell Township. The combining and individual fund financial statements and schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinions, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLC
Certified Public Accountants

October 13, 2006

Township of Powell, Michigan MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Township of Powell's financial performance provides an overview of the Township of Powell's financial activities for the year ended March 31, 2006. Please read it in conjunction with the financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

- Net assets for the Township of Powell as a whole increased by \$603,421 as a result of this year's operations. Net assets of our business-type activities increased by \$527,568, or 245 percent, and net assets of our governmental activities increased by \$75,853, or 9 percent.
- During the year, the Township of Powell had expenses for governmental activities that were \$382,501 which is \$227,800 less than the \$610,301 generated in program revenue sources.
- During the year, the Township of Powell had expenses for business-type activities that were \$88,286 which is \$27,387 more than the \$60,899 generated in program revenue sources.
- The General Fund reported a net fund balance of \$507,521, which is an increase of \$67,150 as a result of this year's operation.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities, on pages 10 and 11 provide information about the activities of the Township of Powell as a whole and present a longer-term view of the Township of Powell's finances. Fund financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the Township of Powell's operations in more detail than the government-wide statements by providing information about the Township of Powell's most significant funds. The remaining statements provide financial information about activities for which the Township of Powell acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the Township of Powell as a Whole

Our analysis of the Township of Powell as a whole begins on page 6. One of the most important questions asked about the Township of Powell's finances is "Is the Township of Powell as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township of Powell as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township of Powell's *net assets* and changes in them. You can think of the Township of Powell's net assets - the difference between assets and liabilities - as one way to measure the Township of Powell's financial health, or *financial position*. Over time, *increases or decreases* in the Township of Powell's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Township of Powell's patron base and the condition of the Township of Powell's capital assets, to assess the *overall financial health* of the Township of Powell.

In the Statement of Net Assets and the Statement of Activities, we divide the Township of Powell into two kinds of activities:

- **Governmental Activities** – Most of the Township of Powell's basic services are reported here, including the legislative, elections, public safety, public works, recreation and culture, community and economic development and general services and administration. Property taxes, charges for services and state sources fund most of these activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

- **Business-Type Activities** – The Township of Powell charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Township of Powell's Water System and Sewer System activities are reported here.

Reporting the Township of Powell's Most Significant Funds

Our analysis of the Township of Powell's major funds begins on page 34. The fund financial statements begin on page 12 and provide detailed information on the most significant funds – not the Township of Powell as a whole. Some funds are required to be established by State law and by bond covenants. However, the Township of Powell Board establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The Township of Powell's two kinds of funds - *governmental* and *proprietary* - use different accounting approaches.

- **Governmental funds** – Most of the Township of Powell's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term view* of the Township of Powell's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township of Powell's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- **Proprietary funds** – When the Township of Powell charges customers for the services it provides – whether to outside customers or to other units of the Township of Powell – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Township of Powell's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the Township of Powell's other programs and activities.

The Township of Powell as a Whole

Table I provides a summary of the Township of Powell's net assets as of March 31, 2006. Comparisons with prior year amounts will be provided in future years when available.

Table 1
Net Assets

		2006		
		Governmental Activities	Business-Type Activities	Total Primary Government
Current and other assets		\$691,926	\$72,032	\$763,958
Capital assets, net		404,888	1,090,295	1,495,183
	Total Assets	1,096,814	1,162,327	2,259,141
Current liabilities		75,988	9,491	85,479
Non-current liabilities		137,229	409,500	546,729
	Total Liabilities	213,217	418,991	632,208
Net Assets:				
Invested in capital assets, net of related debt		404,888	673,795	1,078,683
Restricted		-	85,731	85,731
Unrestricted (deficit)		478,709	(16,190)	462,519
		\$883,597	\$743,336	\$1,626,933

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Net assets of the Township of Powell's governmental activities stood at \$883,597. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$478,709.

The \$478,709 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The net assets of our business-type activities stood at \$743,336. The Township of Powell can generally only use these net assets to finance continuing operations of the Water System and Sewer System operations.

The results of this year's operations for the Township of Powell as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2006. Comparisons with prior year amounts will be provided in future years when available.

Table 2
Change In Net Assets

	2006		
	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues			
Program Revenues:			
Charges for services	\$49,526	\$60,899	\$110,425
Operating Grants and Contributions	6,825	-	6,825
Capital Grants and Contributions	553,950	-	553,950
General Revenues:			
Property taxes	282,844	-	282,844
State Sources	60,821	-	60,821
Interest and Miscellaneous	58,338	1,005	59,343
Total Revenues	1,012,304	61,904	1,074,208
Program Expenses:			
Legislative	3,944	-	3,944
Elections	972	-	972
General Services and administration	135,502	-	135,502
Public Safety	34,616	-	34,616
Public Works	116,803	-	116,803
Health and Welfare	31,170	-	31,170
Community and Economic Development	12,934	-	12,934
Recreation and Culture	24,644	-	24,644
Other Expense	1,674	-	1,674
Unallocated Depreciation	20,242	-	20,242
Sewer system	-	43,466	43,466
Water system	-	44,820	44,820
Total Expenses	382,501	88,286	470,787
Transfers	(553,950)	553,950	-
Increase (decrease) in net assets	75,853	527,568	603,421
Net assets, beginning,	807,744	215,768	1,023,512
Net Assets, Ending	\$883,597	\$742,336	\$1,626,933

The Township of Powell's total revenues were \$1,074,208. The total cost of all programs and services was \$470,787, leaving an increase in net assets of \$603,421. Our analysis below separately considers the operations of governmental and business-type activities:

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Governmental Activities

The Governmental Activities experienced an increase in net assets for the year of \$75,853. Key reasons for the change in net assets are as follows:

- Net Increase in governmental fund balances of \$50,753.
- Depreciation charged to expenses of \$20,242.
- Principle payments reclassified from expenses to liability \$45,342.

Business-type Activities

The Business-Type Activities had a Net Gain of \$527,568 of which \$553,950 is a transfer from the Sewer Construction Fund and a \$26,382 loss which is resulting from not charging users enough to cover depreciation expense.

THE TOWNSHIP OF POWELL'S FUNDS

As the Township of Powell completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a *combined* fund balance of \$661,422 an increase of \$50,753 from the beginning of the year.

General Fund

In our General Fund, there was a gain of \$67,150 relating to expenditures close with revenues.

Sanitation Fund

In our Sanitation Fund, there was a loss of \$6,021 due to excess expenditures.

Construction Sewer Fund

In our Construction Sewer Fund, there was no gain or loss due to grant revenues matching expenditures.

General Fund Budgetary Highlights

Over the course of the year, the Township of Powell Board did not revise the budget.

Budget amendments were not done during the year due to simple oversight. There were several significant budget variances during the fiscal year. Revenues were \$47,208 more than the budgeted \$270,625 and expenditures were \$140,004 less than the budgeted \$390,687.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2006, the Township of Powell had \$1,495,183 invested in a variety of capital assets including land and improvements, buildings and improvements, and other equipment. (See table 3 below).

Table 3
Capital Assets at Year-End

	2006		
	Governmental Activities	Business-Type Activities	Totals
Land	\$-	\$10,000	\$10,000
Buildings and improvements	360,955	1,080,295	1,441,250
Equipment and furnishings	43,933	-	43,933
TOTALS	<u>\$404,888</u>	<u>\$1,090,295</u>	<u>\$1,495,183</u>

There were no deletions to Capital Assets during the current year, and additions totaling \$553,950 from the sewer construction, and depreciation expense of \$56,696 recorded during the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Debt

At the end of fiscal year 2006, the Township of Powell had \$599,213 in bonds outstanding as depicted in Table 4 below.

Table 4
Outstanding Debt at Year-End

	2006		
	Governmental Activities	Business-Type Activities	Totals
Landfill Bond	\$6,713	\$-	\$6,713
EMS Building Bond	176,000	-	176,000
Water Revenue – Bond	-	135,000	135,000
Sewer Revenue – Bond	-	281,500	281,500
TOTALS	<u>\$182,713</u>	<u>\$416,500</u>	<u>\$599,213</u>

There were no new additions to debt for this year and principal payments were \$51,842. Further details on long-term debt can be found in the Footnotes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the Township of Powell's budget for the year ending March 31, 2007, the Township of Powell considered the following issues:

We reviewed the fiscal year 2005 and 2006 budget vs. actual and budgeted roughly the same amounts, except for some minor variances.

CONTACTING THE TOWNSHIP OF POWELL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Township of Powell's finances and to show the Township of Powell's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Township of Powell, P.O. Box 39, Big Bay, MI 49808.

TOWNSHIP OF POWELL, MICHIGAN

STATEMENT OF NET ASSETS

March 31, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 632,785	\$ 85,761	\$ 718,546
Receivables (net)	39,045	6,367	45,412
Primary government internal balances	20,096	(20,096)	-
TOTAL CURRENT ASSETS	691,926	72,032	763,958
Non-current assets:			
Capital assets	1,081,178	1,400,248	2,481,426
Accumulated depreciation	(676,290)	(309,953)	(986,243)
Total Capital Assets	404,888	1,090,295	1,495,183
TOTAL NON-CURRENT ASSETS	404,888	1,090,295	1,495,183
TOTAL ASSETS	1,096,814	1,162,327	2,259,141
LIABILITIES:			
Current Liabilities:			
Accounts payable	30,504	-	30,504
Accrued interest	-	2,491	2,491
Current portion of bonds payable	45,484	7,000	52,484
TOTAL CURRENT LIABILITIES	75,988	9,491	85,479
Non-current Liabilities:			
Bonds payable	137,229	409,500	546,729
TOTAL NON-CURRENT LIABILITIES	137,229	409,500	546,729
TOTAL LIABILITIES	213,217	418,991	632,208
NET ASSETS			
Invested in capital assets, net of related debt	404,888	673,795	1,078,683
Restricted for:			
Debt Service	-	85,731	85,731
Unrestricted	478,709	(16,190)	462,519
TOTAL NET ASSETS	\$ 883,597	\$ 743,336	\$ 1,626,933

The accompanying notes are an integral part of these financial statements.

For the Fiscal Year Ended March 31, 2006

General Revenues:

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF POWELL, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

March 31, 2006

	General Fund	Sanitation Fund	Construction Sewer Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 454,308	\$ 106,463	\$ -	\$ 72,014	\$ 632,785
Delinquent property taxes receivable	15,435	4,254	-	4,016	23,705
Due from State	11,923	-	-	-	11,923
Due from other funds	25,855	-	-	-	25,855
TOTAL ASSETS	\$ 507,521	\$ 110,717	\$ -	\$ 76,030	\$ 694,268
LIABILITIES AND FUND BALANCE					
LIABILITIES:					
Accounts payable	\$ -	\$ 30,504	\$ -	\$ -	\$ 30,504
Due to other funds	-	1,220	-	1,122	2,342
TOTAL LIABILITIES	-	31,724	-	1,122	32,846
FUND BALANCE:					
Unreserved:	507,521	78,993	-	74,908	661,422
TOTAL FUND BALANCE	507,521	78,993	-	74,908	661,422
TOTAL LIABILITIES AND FUND BALANCE	\$ 507,521	\$ 110,717	\$ -	\$ 76,030	\$ 694,268

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF POWELL, MICHIGAN

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

March 31, 2006

Total Fund Balances for Governmental Funds **\$ 661,422**

*Amounts reported for governmental activities in the statement
of net assets are different because:*

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds

Cost of Capital Assets	\$ 1,081,178	
Accumulated Deprecation of Assets	<u>(676,290)</u>	404,888

Long-term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the funds.

Current portion of bonds payable	\$ 45,484	
Bonds payable	<u>137,229</u>	(182,713)
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 883,597</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF POWELL, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended March 31, 2006

	General Fund	Sanitation Fund	Construction Sewer Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes	\$ 195,039	\$ 45,171	\$ -	\$ 42,634	\$ 282,844
Federal sources	-	-	553,950	-	553,950
State sources	67,646	-	-	-	67,646
Charges for services	20,526	29,000	-	-	49,526
Interest and rents	6,707	-	-	494	7,201
Other	27,915	1,870	-	21,352	51,137
TOTAL REVENUES	317,833	76,041	553,950	64,480	1,012,304
EXPENDITURES:					
Current operations:					
Legislative	3,944	-	-	-	3,944
Elections	972	-	-	-	972
General services and administration	127,724	-	-	51,778	179,502
Public safety	28,671	-	-	5,945	34,616
Public works	36,083	82,062	-	-	118,145
Health and welfare	26,211	-	-	4,959	31,170
Community and economic development	12,934	-	-	-	12,934
Recreation and culture	12,470	-	-	12,174	24,644
Other	1,674	-	-	-	1,674
Capital outlay	-	-	553,950	-	553,950
TOTAL EXPENDITURES	250,683	82,062	553,950	74,856	961,551
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	67,150	(6,021)	-	(10,376)	50,753
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
CHANGE IN FUND BALANCE	67,150	(6,021)	-	(10,376)	50,753
Fund balance, beginning of year	440,371	85,014	-	85,284	610,669
FUND BALANCE, END OF YEAR	\$ 507,521	\$ 78,993	\$ -	\$ 74,908	\$ 661,422

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF POWELL, MICHIGAN

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended March 31, 2006

Net Change in Fund Balances - Total Governmental Funds	\$	50,753
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*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ -		
Depreciation expense	(20,242)		
			(20,242)

The sewer construction fund capital outlay was transferred to the sewer fund and recorded as a capital asset. To prevent recording this expense twice, capital outlay expense is reclassified to transfer out in the statement of activities.

Capital Outlay	\$ 553,950		
Transfer Out	(553,950)		
			-

Repayment of loan principal is an expenditure in the governmental funds but repayment reduces long-term liabilities in the statement of net assets.

Landfill Bond	\$ 1,342		
EMS Building Bond	44,000		
			45,342

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	75,853
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF POWELL, MICHIGAN

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

March 31, 2006

		Business - Type Activities		
		Enterprise Funds		
		Sewer System Fund	Water System Fund	Total
ASSETS:				
Current Assets:				
Cash and cash equivalents		\$ 47,804	\$ 37,957	\$ 85,761
Accounts receivable		2,609	3,758	6,367
TOTAL CURRENT ASSETS		<u>50,413</u>	<u>41,715</u>	<u>92,128</u>
Non-current Assets:				
Capital assets		917,323	482,925	1,400,248
Accumulated depreciation		(50,584)	(259,369)	(309,953)
TOTAL NON-CURRENT ASSETS		<u>866,739</u>	<u>223,556</u>	<u>1,090,295</u>
TOTAL ASSETS		<u>\$ 917,152</u>	<u>\$ 265,271</u>	<u>\$ 1,182,423</u>
LIABILITIES:				
Current Liabilities:				
Due to other funds		496	19,600	20,096
Accrued interest payable		-	2,491	2,491
Current portion of long-term debt		3,000	4,000	7,000
TOTAL CURRENT LIABILITIES		<u>3,496</u>	<u>26,091</u>	<u>29,587</u>
Non-current Liabilities:				
Bond payable		278,500	131,000	409,500
TOTAL NON-CURRENT LIABILITIES		<u>278,500</u>	<u>131,000</u>	<u>409,500</u>
TOTAL LIABILITIES		<u>281,996</u>	<u>157,091</u>	<u>439,087</u>
NET ASSETS:				
Invested in capital assets net of related debt		585,239	88,556	673,795
Restricted - debt service		64,011	21,720	85,731
Unrestricted		(14,094)	(2,096)	(16,190)
TOTAL NET ASSETS		<u>\$ 635,156</u>	<u>\$ 108,180</u>	<u>\$ 743,336</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF POWELL, MICHIGAN

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Fiscal Year Ended March 31, 2006

	Business - Type Activities Enterprise Funds		
	Sewer System Fund	Water System Fund	Total
OPERATING REVENUES:			
Charges for services (net)	\$ 22,286	\$ 38,613	\$ 60,899
TOTAL OPERATING REVENUES	22,286	38,613	60,899
OPERATING EXPENSES:			
Personnel services	1,586	7,479	9,065
Supplies	111	4	115
Other Services and Charges	6,112	14,639	20,751
Depreciation	22,933	13,521	36,454
TOTAL OPERATING EXPENSES	30,742	35,643	66,385
OPERATING INCOME (LOSS)	(8,456)	2,970	(5,486)
NON-OPERATING REVENUES (EXPENSES):			
Investment income	773	232	1,005
Interest expense	(12,724)	(9,177)	(21,901)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(11,951)	(8,945)	(20,896)
INCOME (LOSS) BEFORE TRANSFERS	(20,407)	(5,975)	(26,382)
Transfer in	553,950	-	553,950
Transfer (out)	-	-	-
CHANGE IN NET ASSETS	533,543	(5,975)	527,568
Net assets, beginning of year	101,613	114,155	215,768
NET ASSETS, END OF YEAR	\$ 635,156	\$ 108,180	\$ 743,336

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF POWELL, MICHIGAN

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended March 31, 2006

	Business -Type Activities Enterprise Funds		
	Sewer System Fund	Water System Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from fees and charges for services	\$ 21,466	\$ 38,308	\$ 59,774
Cash payments to employees for services	(1,586)	(7,479)	(9,065)
Cash payments to suppliers for goods and services	(6,223)	(14,644)	(20,867)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>13,657</u>	<u>16,185</u>	<u>29,842</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Cash payments for capital assets	(553,950)		(553,950)
Due to (from) other funds	8,779	574	9,353
Transfer in from sewer construction fund of capital assets	553,950		553,950
Interest payments on bonds	(12,724)	(10,103)	(22,827)
Principal payments on bonds	(2,500)	(4,000)	(6,500)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(6,445)</u>	<u>(13,529)</u>	<u>(19,974)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income	773	232	1,005
	<u>773</u>	<u>232</u>	<u>1,005</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES			
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,985	2,888	10,873
Cash and cash equivalents, beginning of year	39,819	35,069	74,888
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 47,804</u>	<u>\$ 37,957</u>	<u>\$ 85,761</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	(8,456)	2,970	(5,486)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	22,933	13,520	36,453
Change in assets and liabilities:	(820)	(305)	(1,125)
(Increase) decrease in accounts receivable	22,113	13,215	35,328
NET ADJUSTMENTS			
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 13,657</u>	<u>\$ 16,185</u>	<u>\$ 29,842</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF POWELL, MICHIGAN
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
March 31, 2006

	<u>Agency Funds</u>
ASSETS:	
Cash and cash equivalents	<u>\$ 9,991</u>
TOTAL ASSETS	<u><u>\$ 9,991</u></u>
LIABILITIES:	
Due to other funds	<u>\$ 3,417</u>
Due to other governmental units	<u> 6,574</u>
TOTAL LIABILITIES	<u><u>\$ 9,991</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF POWELL, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Township of Powell have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the Township of Powell are described below.

(1) REPORTING ENTITY

The Township of Powell's financial statements present the Township of Powell (the primary government). In evaluating the Township of Powell as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the Township of Powell may or may not be financially accountable and, as such, be includable within the Township of Powell's financial statements.

(2) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The Township of Powell's basic financial statements include both government-wide (reporting the Township of Powell as a whole) and fund financial statements (reporting the Township of Powell's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Township of Powell's legislative, public works, public safety, community and economic development, recreation and culture and general services and administration are classified as governmental activities. The Township of Powell's Water System and Sewer System is classified as business-type activities. The Township of Powell's Fiduciary Funds are not included in the Government Wide Financial Statements.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township of Powell's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Township of Powell first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Township of Powell's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The government-wide focus is more on the sustainability of the Township of Powell as an entity and the change in the Township of Powell's net assets resulting from the current year's activities. For the most part, the effect of Interfund activities has been removed from these statements.

(3) BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS:

The financial transactions of the Township of Powell are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Township of Powell:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Township of Powell:

General Fund – General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Capital Project – Capital Project Funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Township of Powell:

- **Enterprise Funds** – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township programs. The agency fund is custodial in nature and does not present results of operations or have a measurement focus.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The Township of Powell reports the following major governmental funds:

- The **General Fund** is the Township of Powell's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Sanitation Fund** is used to account for revenues and expenditures for the operation of the landfill and waste disposal services.
- The **Sewer Construction Fund** is used to account for the financial resources relating to the construction of a sewer improvement project.

The Township of Powell reports the following major proprietary funds:

- The **Water Fund** is used to account for revenues and expenses for the operation of a water system.
- The **Sewer Fund** is used to account for revenues and expenses for the operation of a sewer system.

(4) BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

All enterprise funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(5) FINANCIAL STATEMENT AMOUNTS

Budgets and Budgetary Accounting – The Township of Powell follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Township of Powell Supervisor submits to the Township of Powell Board of Trustees a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including at least two formal public hearings conducted at the Township Hall to obtain taxpayer comment.
- c. Pursuant to statute, prior to March 31 of each year the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.
- d. The general statute governing Township budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of the said Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Township of Powell Board of Trustees, through policy action, specifically directs the Supervisor not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.
- e. The Supervisor is authorized by means of Township of Powell policy to make certain transfers:
 1. The Supervisor receives a request for a budget transfer from the head of the department whose budget is to be affected. Such request must specify the necessity for the transfer, the account name and/or groups(s) and amount to be affected within prescribed limitations. Transfers in excess of those limitations must be approved by the Board of Trustees.
 2. The following considerations must be reviewed in determination of transfer approvals.
 - a. Are the transfers consistent with the intent of the Board of Trustees in adopting the annual budget?
 - b. Will the transfer maintain the financial integrity of the Township of Powell?
 - c. Will the transfer provide a reasonable solution to the Departmental operating problem?

Considering the above, the Supervisor will then decide whether or not the transfer should be made.

Supplemental appropriations are submitted to and reviewed by the Supervisor and submitted to the Township of Powell Board of Trustees for their review and approval. If approved, they are implemented by the Supervisor through a budget revision.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- f. The Township of Powell adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary controls exist at the most detailed level adopted by the Board of Trustees, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.
- g. Budgets for the General Funds were adopted in substance on an accrual basis which is consistent with generally accepted accounting principles. Budgeted amounts as reported in the Financial Report are as originally adopted and/or amended by the Township of Powell Board of Trustees.

Cash Equivalents and Investments – for the purposes of balance sheet classification and the statement of cash flows, cash and equivalents consist of demand deposits, cash in savings, money market accounts and short-term certificates of deposit with original maturity of three months or less. Investments are carried at fair value.

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township of Powell as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Land improvements	15 years
Building, structures and improvements	10-40 years
Equipment	5 years
Water and Sewage System	20-50 years
Vehicles	5 years
Infrastructure	20-50 years

Long-Term Liabilities – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

Estimates – The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Property Taxes – Property taxes are levied as of December 1 of each year and are due by the last day of the following March. The taxes are collected by the local unit and periodically remitted to the third parties during the collection period.

Interfund Activity – Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a result of the reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

NOTE B – DEPOSITS AND INVESTMENTS:

Cash Equivalents

As of March 31, 2006, the Township of Powell's cash and cash equivalents and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business Type Activities	Fiduciary Funds	Total Primary Government
Cash and equivalents	\$632,785	\$85,761	\$9,991	\$ 728,537
Investments	-	-	-	-
	<u>\$632,785</u>	<u>\$ 85,761</u>	<u>\$9,991</u>	<u>\$ 728,537</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township of Powell's deposits may not be returned to it. State law does not require and the Township of Powell does not have a deposit policy for custodial credit risk. The carrying amounts of the Township of Powell's deposits with financial institutions were \$728,537 and the bank balance was \$751,268. The bank balance is categorized as follows:

Amount insured by the FDIC	\$ 388,066
Amount collateralized and securities held by pledging Financial Institutions	363,202
	<u>\$ 751,268</u>

Investments

As of March 31, 2006, the Township of Powell did not have any investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Township of Powell's investments. The Township of Powell does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes (Act 196, PA 1997) authorize the Township of Powell to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

NOTE B – DEPOSITS AND INVESTMENTS (Continued):

The Township of Powell has no investment policy that would further limit its investment choices. Ratings are not required for the Township of Powell's investment in U.S. Government Agencies or equity-type funds. The Township of Powell's investments are in accordance with statutory authority.

Concentration of Credit Risk

The Township of Powell places no limit on the amount the Township of Powell may invest in any one issuer. There were no investments subject to concentration of credit risk disclosure.

NOTE C – DUE TO/FROM OTHER FUNDS:

Township of Powell, Michigan reports Interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of Interfund balances presented in the statements of net assets/balance sheet for governmental funds. Interfund transactions resulting in Interfund receivables and payables are as follows:

	DUE TO OTHER FUNDS	
	General Fund	Totals
Trust & Agency Fund	\$300	\$300
Tax Collection Fund	3,117	3,117
EMS Building Fund	1,122	1,122
Water System Fund	19,600	19,600
Sewer System Fund	496	496
Sanitation Fund	1,220	1,220
Total	<u>\$25,855</u>	<u>\$25,855</u>

All balances resulted from the time lag between the dates that (1) Interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE D – CAPITAL ASSETS:

A summary of the capital assets of the Governmental Activities is as follows:

	Balance at April 1, 2005	Additions	Disposals	Balance at March 31, 2006
GOVERNMENTAL ACTIVITIES:				
Land	\$-	\$-	\$-	\$-
Total Capital Assets, not being depreciated	-	-	-	-
Buildings and improvements	742,687	-	-	742,687
Furniture and equipment	338,491	-	-	338,491
Total Capital Assets, being depreciated	<u>1,081,178</u>	<u>-</u>	<u>-</u>	<u>1,081,178</u>
Less Accumulated Depreciation:				
Building and improvements	\$363,164	\$18,567	\$-	\$381,731
Furniture and equipment	292,885	1,675	-	294,560
Total Accumulated Depreciation	<u>656,049</u>	<u>20,242</u>	<u>-</u>	<u>676,291</u>
Governmental Activities Capital Assets, Net	<u>\$425,129</u>	<u>\$20,242</u>	<u>\$-</u>	<u>\$404,887</u>

NOTE D – CAPITAL ASSETS (Continued):

Depreciation expenses for the governmental activities were charged to the following functions and activities of the primary government:

Unallocated Depreciation	\$20,242
Public Works	-
Total	<u>\$20,242</u>

A summary of changes in business-type activities capital assets is as follows:

	Balance at April 1, 2005	Additions	Disposals	Balance at March 31, 2006
BUSINESS-TYPE ACTIVITIES:				
Land	\$10,000	\$ -	\$ -	\$10,000
Total Capital Assets, not being depreciated	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Buildings and improvements	836,298	553,950	-	1,390,248
Equipment	-	-	-	-
Total Capital Assets, being depreciated	<u>836,298</u>	<u>553,950</u>	<u>-</u>	<u>1,390,248</u>
Less Accumulated Depreciation:				
Buildings and improvements	273,498	36,454	-	309,952
Equipment	-	-	-	-
Total Accumulated Depreciation	<u>273,498</u>	<u>36,454</u>	<u>-</u>	<u>309,952</u>
Governmental Capital Assets, Net	<u>\$572,800</u>	<u>\$517,496</u>	<u>\$ -</u>	<u>\$1,090,296</u>

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

Business-Type Activities:	
Sewer Fund	\$22,933
Water Fund	13,521
Total Depreciation Expense – Business-Type Activities	<u>\$36,454</u>

NOTE E – LONG-TERM DEBT:

Landfill Bond March 31, 2006				
	May 1		November 1	Total
	Interest	Principle	Interest	
2006-2007	\$244	\$1,484	\$169	\$1,897
2007-2008	169	1,590	128	1,887
2008-2009	127	1,731	48	1,906
2009-2010	47	1,908	-	1,955
TOTALS	<u>\$587</u>	<u>\$6,713</u>	<u>\$345</u>	<u>\$7,645</u>

The Bond was originally issued for \$18,892 on February 1, 1988. Bond Payments are due Semi-annually, May 1 (principal plus interest) and November 1 (interest), with an interest rate of 4.0%.

NOTE E – LONG-TERM DEBT (Continued):**EMS Building Bond
March 31, 2006**

	June 1		Total
	Interest	Principle	
2006-2007	\$7,758	\$44,000	\$51,758
2007-2008	7,758	44,000	51,758
2008-2009	7,758	44,000	51,758
2009-2010	7,758	44,000	51,758
TOTALS	\$31,032	\$176,000	\$207,032

The Bond was originally issued for \$220,000 on June 15, 2004. Bond Payments are due annually, on June 1 (principal plus interest) with an interest rate of 4.36%.

**Water Revenue – Bond
March 31, 2006**

	June 1		December 1	
	Interest	Principle	Interest	Total
2006-2007	\$4,981	\$4,000	\$4,834	\$13,815
2007-2008	4,834	5,000	4,649	14,483
2008-2009	4,649	5,000	4,465	14,114
2009-2010	4,465	5,000	4,280	13,745
2010-2011	4,280	6,000	4,059	14,339
2011-2015	17,823	36,000	16,494	70,317
2016-2020	10,185	49,000	8,376	67,561
2021-2024	2,029	25,000	1,107	28,136
TOTALS	\$53,246	\$135,000	\$48,264	\$236,510

The Bond was originally issued for \$18,892 on February 1, 1988. Bond Payments are due Semi-annually, May 1 (principal plus interest) and November 1 (interest), with an interest rate of 3.69%.

**Sewer Revenue – Bond
March 31, 2006**

	September 1		March 1	
	Interest	Principle	Interest	Total
2006-2007	\$6,334	\$3,000	\$6,266	\$15,600
2007-2008	6,266	3,000	6,199	15,465
2008-2009	6,199	3,000	6,131	15,330
2009-2010	6,131	3,000	6,004	15,735
2010-2011	6,004	3,500	5,985	16,089
2011-2016	29,104	19,000	28,676	76,780
2016-2021	26,764	23,500	26,235	76,499
2021-2026	23,872	29,500	23,209	76,581
2026-2031	20,261	36,500	19,440	76,201
2031-2036	15,761	45,500	14,738	75,999
2036-2041	10,125	57,500	8,831	76,456
2041-2044	3,105	54,500	1,879	59,484
TOTALS	\$160,526	\$281,500	\$154,193	\$596,219

The Bond was originally issued for \$284,000 in 2005. Bond Payments are due Semi-annually, September 1 (principal plus interest) and March 1 (interest), with an interest rate of 2.25%.

NOTE E – LONG-TERM DEBT (Continued):

Annual maturities on long-term debt are as follows:

	Principle	Interest	Total
2006-2007	\$52,484	\$30,586	\$83,070
2007-2008	53,590	30,003	83,593
2008-2009	53,731	29,621	83,392
2009-2010	53,908	29,285	83,193
2010-2011	9,500	20,928	30,428
2011-2016	55,000	92,097	147,097
2016-2021	72,500	71,560	144,060
2021-2026	54,500	50,217	104,717
2026-2031	36,500	39,701	76,201
2031-2036	45,500	30,499	75,999
2036-2041	57,500	18,956	76,456
2041-2044	54,500	4,740	59,240
Totals	<u>\$599,213</u>	<u>\$448,193</u>	<u>\$1,007,406</u>

	April 1, 2005	Additions	Subtractions	March 31, 2006
Governmental Activities:				
Landfill Bond	\$8,055	\$-	\$1,342	\$6,713
EMS Building Bond	220,000		44,000	176,000
Total Governmental Activities	<u>228,055</u>	<u>-</u>	<u>45,342</u>	<u>182,713</u>
Business-Type Activities:				
Water Revenue - Bond	139,000	-	4,000	135,000
Sewer Revenue - Bond	284,000	-	2,500	281,500
Total Business-Type Activities	<u>423,000</u>	<u>-</u>	<u>6,500</u>	<u>416,500</u>
TOTAL PRIMARY GOVERNMENT LONG-TERM DEBT	<u>\$651,055</u>	<u>\$-</u>	<u>\$51,842</u>	<u>\$599,213</u>

NOTE F – RESTRICTED NET ASSETS:

The Water Fund has restricted net assets totaling \$21,720 which represents the balance available to pay down debt.

The Sewer Fund has restricted net assets totaling \$64,011 which represents the balance available to pay down debt.

NOTE G – PROPERTY TAXES:

The Township of Powell property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township of Powell as of the preceding December 31st.

Although the Township 2005 ad valorem tax is levied and collectible on December 1, 2006, it is the Township of Powell's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60) days.

The 2005 taxable valuation of the Township of Powell totaled \$49,313,998 on which ad valorem taxes levied consisted of 3.9814 mills for the Township of Powell's operation purposes, .9163 mills for the EMS Building debt, and .9708 mills for sanitation collection. These amounts are recognized in the General Fund, EMS Building, and Sanitation Fund financial statements as revenue.

NOTE H – CONTINGENT LIABILITIES:

Risk Management – The Township of Powell is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township of Powell has obtained commercial insurance to handle its risk of loss.

NOTE I – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

The Township of Powell has variances with regards to expenditures over appropriations in their funds as of March 31, 2006.

	Budget	Actual	Unfavorable Variance
Sanitation Fund:			
Public Works	\$49,650	\$82,062	\$(32,412)
Construction Sewer Fund:			
Capital Outlay	-	553,950	(553,950)
EMS Building Fund:			
Debt Service	-	51,758	(51,758)
Donated Funds:			
Public Safety	-	5,945	(5,945)
Health and Welfare	-	4,959	(4,959)
Recreation and Culture	-	12,174	(12,174)

NOTE J – FUND EQUITY DEFICIT BALANCES:

At March 31, 2006 the following funds had an unrestricted fund equity deficit:

Fund	Amount
Sewer	\$14,094
Water	2,096

REQUIRED SUPPLEMENTAL
FINANCIAL INFORMATION

TOWNSHIP OF POWELL, MICHIGAN

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended March 31, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP	Final Budget
			Basis	Positive
				(Negative)
REVENUES:				
Taxes	\$ 199,100	\$ 199,100	\$ 195,039	\$ (4,061)
State sources	50,000	50,000	67,646	17,646
Charges for services	14,400	14,400	20,526	6,126
Interest	4,000	4,000	6,707	2,707
Other revenues	3,125	3,125	27,915	24,790
TOTAL REVENUES	270,625	270,625	317,833	47,208
EXPENDITURES:				
Legislative	5,400	5,400	3,944	1,456
Elections	5,900	5,900	972	4,928
General services and administration	215,299	215,299	127,724	87,575
Public safety	40,170	40,170	28,671	11,499
Public works	40,000	40,000	36,083	3,917
Health and welfare	34,470	34,470	26,211	8,259
Community and economic development	17,918	17,918	12,934	4,984
Recreation and culture	20,830	20,830	12,470	8,360
Other	10,700	10,700	1,674	9,026
TOTAL EXPENDITURES	390,687	390,687	250,683	140,004
EXCESS OF REVENUES OVER				
(UNDER) EXPENDITURES	(120,062)	(120,062)	67,150	187,212
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING				
SOURCES (USES)	-	-	-	-
CHANGE IN FUND BALANCE	(120,062)	(120,062)	67,150	187,212
Fund balance, beginning of year	440,371	440,371	440,371	-
FUND BALANCE, END OF YEAR	\$ 320,309	\$ 320,309	\$ 507,521	\$ 187,212

TOWNSHIP OF POWELL, MICHIGAN

SANITATION FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended March 31, 2006

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 45,000	\$ 45,000	\$ 45,171	\$ 171
Charges for services	-	-	29,000	29,000
Other revenues	800	800	1,870	1,070
TOTAL REVENUES	45,800	45,800	76,041	30,241
EXPENDITURES:				
Public works	49,650	49,650	82,062	(32,412)
TOTAL EXPENDITURES	49,650	49,650	82,062	(32,412)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,850)	(3,850)	(6,021)	(2,171)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
CHANGE IN FUND BALANCE	(3,850)	(3,850)	(6,021)	(2,171)
Fund balance, beginning of year	85,014	85,014	85,014	-
FUND BALANCE, END OF YEAR	\$ 81,164	\$ 81,164	\$ 78,993	\$ (2,171)

Other Supplemental Information

TOWNSHIP OF POWELL, MICHIGAN

**MAJOR GOVERNMENTAL FUNDS
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes:			
Current levy	\$ 158,200	\$ 153,940	\$ (4,260)
Delinquent taxes	2,000	15,435	13,435
Commercial forest reserve	16,000	7,509	(8,491)
Swamp tax	3,000	2,068	(932)
Tax collection fees	19,900	16,087	(3,813)
Total Taxes	<u>199,100</u>	<u>195,039</u>	<u>(4,061)</u>
State Sources:			
Sales Tax	50,000	60,821	10,821
Metro Act Money	-	6,825	6,825
Total State Sources	<u>50,000</u>	<u>67,646</u>	<u>17,646</u>
Charges for Services:			
Cemetery services	2,000	1,560	(440)
Ambulance services	9,000	16,192	7,192
Zoning services	2,000	2,663	663
Miscellaneous services	1,400	111	(1,289)
Total Charges for Services	<u>14,400</u>	<u>20,526</u>	<u>6,126</u>
Interest and Rents			
Interest	4,000	6,357	2,357
Rents	-	350	350
Total Interest and Rents	<u>4,000</u>	<u>6,707</u>	<u>2,707</u>
Other Revenues:			
Other Revenue	3,125	27,915	24,790
Total Other Revenues	<u>3,125</u>	<u>27,915</u>	<u>24,790</u>
TOTAL REVENUES	<u>270,625</u>	<u>317,833</u>	<u>47,208</u>
EXPENDITURES:			
LEGISLATIVE:			
Township Board:			
Personnel services	3,000	2,300	700
Other services and charges	2,400	1,644	756
TOTAL LEGISLATIVE	<u>5,400</u>	<u>3,944</u>	<u>1,456</u>
ELECTIONS:			
Personnel services	3,200	716	2,484
Supplies	1,500	71	1,429
Other services and charges	1,200	185	1,015
TOTAL ELECTIONS	<u>5,900</u>	<u>972</u>	<u>4,928</u>

TOWNSHIP OF POWELL, MICHIGAN

MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Fiscal Year Ended March 31, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
GENERAL SERVICES AND ADMINISTRATION:			
Supervisor:			
Personnel services	\$ 10,650	\$ 9,859	\$ 791
Supplies	200	188	12
Other services and charges	4,500	2,940	1,560
Total Supervisor	<u>15,350</u>	<u>12,987</u>	<u>2,363</u>
Clerk:			
Personnel services	10,250	9,429	821
Supplies	700	279	421
Other services and charges	2,450	1,649	801
Capital outlay	-	-	-
Total Clerk	<u>13,400</u>	<u>11,357</u>	<u>2,043</u>
Treasurer:			
Personnel services	9,450	8,986	464
Supplies	200	73	127
Other services and charges	3,400	1,071	2,329
Capital outlay	-	-	-
Total Treasurer	<u>13,050</u>	<u>10,130</u>	<u>2,920</u>
Assessor:			
Personnel services	15,900	15,622	278
Supplies	500	229	271
Other services and charges	16,800	10,544	6,256
Capital outlay	-	-	-
Total Assessor	<u>33,200</u>	<u>26,395</u>	<u>6,805</u>
Township Hall and Grounds:			
Personnel services	20,624	20,534	90
Supplies	1,500	2,065	(565)
Other services and charges	106,250	41,827	64,423
Capital outlay	-	-	-
Total Township Hall and Grounds	<u>128,374</u>	<u>64,426</u>	<u>63,948</u>
Cemetery:			
Personnel services	2,000	1,061	939
Supplies	300	1,368	(1,068)
Other services and charges	9,625	-	9,625
Debt service	-	-	-
Total Cemetery	<u>11,925</u>	<u>2,429</u>	<u>9,496</u>
TOTAL GENERAL SERVICES AND ADMINISTRATION	<u>215,299</u>	<u>127,724</u>	<u>87,575</u>

TOWNSHIP OF POWELL, MICHIGAN

**MAJOR GOVERNMENTAL FUNDS
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
PUBLIC SAFETY:			
Fire Department			
Personnel services	\$ 2,500	\$ 3,752	\$ (1,252)
Supplies	500	336	164
Other services and charges	37,170	24,583	12,587
Capital outlay	-	-	-
Total Police Department	<u>40,170</u>	<u>28,671</u>	<u>11,499</u>
TOTAL PUBLIC SAFETY	<u>40,170</u>	<u>28,671</u>	<u>11,499</u>
 PUBLIC WORKS:			
Roads:			
Capital Outlay	35,000	31,117	3,883
Total Roads	<u>35,000</u>	<u>31,117</u>	<u>3,883</u>
Street Lights:			
Other services and charges	5,000	4,966	34
Total Street Lights	<u>5,000</u>	<u>4,966</u>	<u>34</u>
TOTAL PUBLIC WORKS	<u>40,000</u>	<u>36,083</u>	<u>3,917</u>
 HEALTH AND WELFARE:			
Ambulance:			
Personnel services	6,000	6,936	(936)
Supplies	1,500	1,778	(278)
Other services and charges	26,970	17,497	9,473
Total Ambulance	<u>34,470</u>	<u>26,211</u>	<u>8,259</u>
TOTAL HEALTH AND WELFARE	<u>34,470</u>	<u>26,211</u>	<u>8,259</u>
 COMMUNITY AND ECONOMIC DEVELOPMENT			
Zoning:			
Personnel services	\$ 5,318	\$ 6,029	\$ (711)
Supplies	500	18	482
Other services and charges	12,100	6,887	5,213
Total Zoning	<u>17,918</u>	<u>12,934</u>	<u>4,984</u>
TOTAL COMMUNITY AND ECONOMIC DEVELOPMENT	<u>17,918</u>	<u>12,934</u>	<u>4,984</u>

TOWNSHIP OF POWELL, MICHIGAN

**MAJOR GOVERNMENTAL FUNDS
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
RECREATION AND CULTURE:			
Parks:			
Personnel services	\$ 2,780	\$ 2,458	\$ 322
Supplies	300	243	57
Other services and charges	17,750	9,769	7,981
Capital outlay	-	-	-
Total Parks	<u>20,830</u>	<u>12,470</u>	<u>8,360</u>
TOTAL RECREATION AND CULTURE	<u>20,830</u>	<u>12,470</u>	<u>8,360</u>
OTHER EXPENDITURES			
Personnel services	10,700	1,674	9,026
TOTAL OTHER EXPENDITURES	<u>10,700</u>	<u>1,674</u>	<u>9,026</u>
TOTAL EXPENDITURES	<u>390,687</u>	<u>250,683</u>	<u>140,004</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(120,062)</u>	<u>67,150</u>	<u>187,212</u>
OTHER FINANCING SOURCES (USES):			
Transfers In:	-	-	-
Transfers (Out):	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>(120,062)</u>	<u>67,150</u>	<u>187,212</u>
Fund balance, beginning of year	<u>440,371</u>	<u>440,371</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 320,309</u>	<u>\$ 507,521</u>	<u>\$ 187,212</u>

TOWNSHIP OF POWELL, MICHIGAN

**MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE
SANITATION FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes:			
Property taxes	\$ 45,000	\$ 45,171	\$ 171
Total Taxes	45,000	45,171	171
Charges for Services:			
Landfill tipping	-	29,000	29,000
Total Charges for Services	-	29,000	29,000
Other Revenue:			
Other revenue	800	1,870	1,070
Total Other Revenue	800	1,870	1,070
TOTAL REVENUES	45,800	76,041	30,241
EXPENDITURES:			
Public Works:			
Sanitation Collection:			
Personnel services	-	105	(105)
Supplies	-	-	-
Other services and charges	49,650	80,087	(30,437)
Capital outlay	-	-	-
Debt service	-	1,870	(1,870)
Total Public Works	49,650	82,062	(32,412)
TOTAL EXPENDITURES	49,650	82,062	(32,412)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,850)	(6,021)	(2,171)
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES	-	-	-
CHANGES IN FUND BALANCE	(3,850)	(6,021)	(2,171)
Fund balance, beginning of year	85,014	85,014	-
FUND BALANCE, END OF YEAR	\$ 81,164	\$ 78,993	\$ (2,171)

TOWNSHIP OF POWELL, MICHIGAN

**MAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECT
CONSTRUCTION SEWER FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2006

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Federal Sources			
USDA grant	\$ -	\$ 553,950	\$ 553,950
TOTAL REVENUES	<u>-</u>	<u>553,950</u>	<u>553,950</u>
EXPENDITURES:			
Capital Outlay			
Capital outlay	<u>-</u>	<u>553,950</u>	<u>(553,950)</u>
Total Capital Outlay	<u>-</u>	<u>553,950</u>	<u>(553,950)</u>
TOTAL EXPENDITURES	<u>-</u>	<u>553,950</u>	<u>(553,950)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>-</u>
CHANGES IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

TOWNSHIP OF POWELL, MICHIGAN

**NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS**

COMBINING BALANCE SHEET

March 31, 2006

	EMS Building Fund	Donated Funds	Special Revenue Fund Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 40,034	\$ 31,980	\$ 72,014
Delinquent property taxes receivable	4,016	-	4,016
TOTAL ASSETS	\$ 44,050	\$ 31,980	\$ 76,030
LIABILITIES AND FUND BALANCE			
LIABILITIES:			
Due to other funds	\$ 1,122	\$ -	\$ 1,122
TOTAL LIABILITIES	1,122	-	1,122
FUND BALANCE:			
Unreserved	42,928	31,980	74,908
TOTAL FUND BALANCE	42,928	31,980	74,908
TOTAL LIABILITIES AND FUND BALANCE	\$ 44,050	\$ 31,980	\$ 76,030

TOWNSHIP OF POWELL, MICHIGAN

**NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended March 31, 2006

	EMS Building Fund	Donated Funds	Special Revenue Fund Total Governmental Funds
REVENUES:			
Taxes	\$ 42,634	\$ -	\$ 42,634
Interest and Rents	213	281	494
Other Revenue	-	21,352	21,352
TOTAL REVENUES	42,847	21,633	64,480
EXPENDITURES:			
General Government	51,778	-	51,778
Public Safety	-	5,945	5,945
Health and Welfare	-	4,959	4,959
Recreation and Culture	-	12,174	12,174
TOTAL EXPENDITURES	51,778	23,078	74,856
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(8,931)	(1,445)	(10,376)
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
CHANGE IN FUND BALANCE	(8,931)	(1,445)	(10,376)
Fund balance, beginning of year	51,859	33,425	85,284
FUND BALANCE, END OF YEAR	\$ 42,928	\$ 31,980	\$ 74,908

TOWNSHIP OF POWELL, MICHIGAN

NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
EMS BUILDING

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Fiscal Year Ended March 31, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes:			
Property taxes	\$ 45,000	\$ 42,634	\$ (2,366)
Total Taxes	<u>45,000</u>	<u>42,634</u>	<u>(2,366)</u>
Interest and Rents:			
Investment income	200	213	13
Total Interest and Rents	<u>200</u>	<u>213</u>	<u>13</u>
Other Revenue:			
Other revenue	50,000	-	(50,000)
Total Other Revenue	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>
TOTAL REVENUES	<u>95,200</u>	<u>42,847</u>	<u>(52,353)</u>
EXPENDITURES:			
General Government:			
Township Properties:			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	500	20	480
Capital outlay	-	-	-
Debt Service	-	51,758	(51,758)
TOTAL EXPENDITURES	<u>500</u>	<u>51,778</u>	<u>(51,278)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>94,700</u>	<u>(8,931)</u>	<u>(103,631)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>-</u>
CHANGES IN FUND BALANCE	<u>94,700</u>	<u>(8,931)</u>	<u>(103,631)</u>
Fund balance, beginning of year	51,859	51,859	-
FUND BALANCE, END OF YEAR	<u>\$ 146,559</u>	<u>\$ 42,928</u>	<u>\$ (103,631)</u>

TOWNSHIP OF POWELL, MICHIGAN

NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
DONATED FUNDS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Fiscal Year Ended March 31, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest and Rents:			
Investment income	\$ -	\$ 281	\$ 281
Total Interest and Rents	-	281	281
Other Revenue:			
Donations	-	21,352	21,352
Total Other Revenue	-	21,352	21,352
TOTAL REVENUES	-	21,633	21,633
EXPENDITURES:			
Public Safety:			
Fire department	-	5,945	(5,945)
Total Public Safety	-	5,945	(5,945)
Health and Welfare:			
Ambulance	-	4,959	(4,959)
Total Health and Welfare	-	4,959	(4,959)
Recreation and Culture:			
Centennial	-	706	(706)
Fire on the Bay	-	8,341	(8,341)
Give Em 5	-	25	(25)
Parks/Rec	-	3,102	(3,102)
REA Lighting	-	-	-
Saw Dust	-	-	-
Total Recreation and Culture	-	12,174	(12,174)
TOTAL EXPENDITURES	-	23,078	(23,078)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(1,445)	(1,445)
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES	-	-	-
CHANGES IN FUND BALANCE	-	(1,445)	(1,445)
Fund balance, beginning of year	33,425	33,425	-
FUND BALANCE, END OF YEAR	\$ 33,425	\$ 31,980	\$ (1,445)

TOWNSHIP OF POWELL, MICHIGAN

FIDUCIARY FUNDS

COMBINING STATEMENT OF NET ASSETS

March 31, 2006

	Trust & Agency Fund	Tax Collection Fund	Total
ASSETS			
Cash and cash equivalents	\$ 6,874	\$ 3,117	\$ 9,991
TOTAL ASSETS	<u>\$ 6,874</u>	<u>\$ 3,117</u>	<u>\$ 9,991</u>
LIABILITIES			
Due to other funds	\$ 300	\$ 3,117	\$ 3,417
Due to other governmental units	6,574	-	6,574
TOTAL LIABILITIES	<u>\$ 6,874</u>	<u>\$ 3,117</u>	<u>\$ 9,991</u>

Compliance Supplements



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
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WISCONSIN
GREEN BAY
MILWAUKEE

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Supervisor and Township Board of Trustees
Township of Powell, Michigan
P.O. Box 39
Big Bay, Michigan 49808

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, as of and for the year ended March 31, 2006, which collectively comprise the Township of Powell, Michigan's basic financial statements and have issued our report thereon dated October 13, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Powell, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

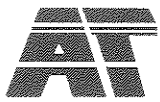
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Powell, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*. These instances can be found in a separate letter to management as items 06-01, 06-02, 06-03, 06-04, 06-05 and 06-06, dated October 13, 2006.

This report is intended solely for the information and use of the audit committee, management, and Township of Powell Board and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

October 13, 2006



ANDERSON, TACKMAN & COMPANY, P.L.C.

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Supervisor and Township Board of Trustees
Township of Powell, Michigan
P.O. Box 39
Big Bay, Michigan 49808

Compliance

We have audited the compliance of Powell Township with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2006. Powell Township's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Powell Township's management. Our responsibility is to express an opinion on Powell Township's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Powell Township's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination on Powell Township's compliance with those requirements.

In our opinion, Powell Township complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2006.

Internal Control Over Compliance

The management of Powell Township is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Powell Township's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinions on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants "caused by error or fraud" that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the

Honorable Supervisor and Members of the Township Board of Trustees
Township of Powell, Michigan

normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Board, management, state and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

October 13, 2006

TOWNSHIP OF POWELL, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the fiscal year ended March 31, 2006

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Current Year Expenditures
<hr/>		
U.S. Department of Agriculture:		
Passed Through Rural Development:		
Water and Waste Disposal Systems for Rural Communities	10.760	\$ 552,300
Sub-Total		<u>552,300</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>552,300</u>
GRAND TOTAL		<u><u>\$ 552,300</u></u>

TOWNSHIP OF POWELL, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended March 31, 2006

NOTE A – OVERSIGHT AGENCY:

The U.S. Department of Agriculture is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the Township of Powell, Michigan's federal awards.

NOTE B – BASIS OF ACCOUNTING:

The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

TOWNSHIP OF POWELL, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the fiscal year March 31, 2006

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses unqualified opinions on the general purpose financial statements of Powell Township.
2. There were no reportable conditions disclosed during the audit of the financial statements.
3. There were no instances of noncompliance material to the financial statements of Powell Township disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs is reported in this schedule.
5. The auditors' report on compliance for the major federal award programs for Powell Township expresses unqualified opinions.
6. No audit findings relative to the major federal award program for Powell Township were disclosed during the audit.
7. The programs tested as major programs were:

Water & Waste Disposal System for Rural Communities	10.760
-----------------------------------------------------	--------
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Powell Township was determined to be a high-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

06-01 Condition/Criteria: At March 31, 2006 the Sewer Fund had an unrestricted equity deficit of \$14,094 and the Water Fund had an unrestricted equity deficit of \$2,096. Public Act 275 of 1980 requires that all deficits in any fund balance of local units be disclosed and enumerated upon in the Footnotes of the financial statements. In accordance with the Act, a corrective action plan for the deficit is required to be filed with the State Treasurer within 90 days of the end of the fiscal year. As of this time, the Township of Powell, Michigan has not filed such a plan. We recommend that the Township of Powell, Michigan monitor the fund closer in future years to ensure there are sufficient revenues to cover the expenditures each year.

Effect: The Township of Powell, Michigan is not in compliance with State Law.

Cause of Condition: Failure of operating revenues to cover operating expenditures in the current year.

Recommendation: The Township of Powell, Michigan needs to either increase operating revenues or decrease operating expenditures in the future.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (Continued)

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Vincent Bevins, Supervisor
- Corrective Action Planned:
 - The revenue and expenditures will be more closely monitored.
- Anticipated Completion Date:
 - March 31, 2007

06-02 Condition/Criteria: Public Act 621 of 1978, Section 18 (1) as amended, provides that townships shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township of Powell, Michigan had actual expenditures and budgeted expenditures for the General Fund and Special Revenue Funds have been shown on a functional basis. The approved budgets of these funds were adopted on an activity and/or program level. During the year ended March 31, 2006, the Township of Powell, Michigan incurred functional expenditures which were in excess of the amounts appropriated as shown within the basic financial statements.

Effect: The Township of Powell, Michigan is not in compliance with State Law.

Cause of Condition: Failure to amend the budgets during the year based on the level of expenditures.

Recommendation: The Township of Powell, Michigan should strictly control expenditures in each governmental fund so as not to exceed the original appropriation. When this is not possible, the budget should be amended accordingly.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Diane Burns, Clerk
- Corrective Action Planned:
 - The budget will be more closely monitored and budget amendments will be made accordingly.
- Anticipated Completion Date:
 - March 31, 2007

06-03 Condition/Criteria: Public Act 2 of 1968, as amended, provides that townships shall use the Uniform Chart of Accounts for Counties and Local Units of Government in Michigan. During the year ended March 31, 2006, the Township of Powell, Michigan did not use any account numbers as required by this act.

Effect: The Township of Powell, Michigan is not in compliance with State Law.

Cause of Condition: Failure to setup account numbers when setting up their new computer system.

Recommendation: The Township of Powell, Michigan should setup their computer system with the account number and name for all accounts in the general ledger.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Diane Burns, Clerk
- Corrective Action Planned:
 - The Township is planning on incorporating the account numbers into their computer system in the coming fiscal year.
- Anticipated Completion Date:
 - March 31, 2007

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (Continued)

09-04 Condition/Criteria: Although the Township of Powell, Michigan cash is being reconciled to a subsidiary spreadsheet for monitoring, it is not being reconciled to the general ledger on a monthly basis and not being approved by a separate party. The basis of strength in any system of sound internal control is a strong reconciliation function.

Effect: Because the cash accounts are not being reconciled in the general ledger system, there is activity missing from the general ledger during the year and creates a lack of internal controls.

Cause of Condition: Failure to setup accounting system proper to reconcile the cash accounts in the general ledger.

Recommendation: We suggest, and good internal control dictates, the general ledger accounts are reconciled on a monthly basis with the appropriate accounting entries being made to the system even if a supplemental activity is being performed. This will insure accurate financial reporting on an interim basis for decision making by the Board of Trustees and management.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Diane Burns, Clerk
- Corrective Action Planned:
 - The Township is planning on incorporating the cash reconciliation procedures into their computer system in the coming fiscal year.
- Anticipated Completion Date:
 - March 31, 2007

06-05 Condition/Criteria: Public Act 2 of 1968, as amended, provides that townships shall use the Uniform Chart of Accounts for Counties and Local Units of Government in Michigan. During the year ended March 31, 2006, the Township of Powell, Michigan did not record the activity of the donated funds, Tax Collection Fund and Trust and Agency Fund in a general ledger system.

Effect: The Township of Powell, Michigan is not in compliance with State Law.

Cause of Condition: Failure to setup fund when setting up their new computer system.

Recommendation: The Township of Powell, Michigan should setup their computer system with the fund in the general ledger.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Diane Burns, Clerk
- Corrective Action Planned:
 - The Township is planning on incorporating the fund into their computer system in the coming fiscal year.
- Anticipated Completion Date:
 - March 31, 2007

06-06 Condition/Criteria: The Township of Powell, Michigan's general ledger has not been reviewed for accuracy, or completeness.

Effect: The Township of Powell, Michigan had to process roughly 60 adjusting journal entries per the audit.

Cause of Condition: Failure to properly setup their new computer system and install proper controls over the general ledger.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (Continued)

Recommendation: The Township of Powell, Michigan should properly setup their computer system and review the general ledger monthly for accuracy and completeness.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Diane Burns, Clerk
- Corrective Action Planned:
 - The Township is planning on incorporating the fund into their computer system in the coming fiscal year.
- Anticipated Completion Date:
 - March 31, 2007



ANDERSON, TACKMAN & COMPANY, P.L.C.

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MILWAUKEE

Township of Powell, Michigan
Report to Management Letter
For the Year Ended March 31, 2006

To the Honorable Supervisor and Township Board
Township of Powell, Michigan
PO Box 39
Big Bay, MI 49808

In planning and performing our audit of the financial statements of the Township of Powell, Michigan for the year ended March 31, 2006; we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could affect the Township of Powell, Michigan's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

06-01 Condition/Criteria: At March 31, 2006 the Sewer Fund had an unrestricted equity deficit of \$14,094 and the Water Fund had an unrestricted equity deficit of \$2,096. Public Act 275 of 1980 requires that all deficits in any fund balance of local units be disclosed and enumerated upon in the Footnotes of the financial statements. In accordance with the Act, a corrective action plan for the deficit is required to be filed with the State Treasurer within 90 days of the end of the fiscal year. As of this time, the Township of Powell, Michigan has not filed such a plan. We recommend that the Township of Powell, Michigan monitor the fund closer in future years to ensure there are sufficient revenues to cover the expenditures each year.

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- Contact Person(s) Responsible for Correction:
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 - March 31, 2007

To the Honorable Supervisor and Township Board
Township of Powell, Michigan

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Effect: The Township of Powell, Michigan is not in compliance with State Law.

Cause of Condition: Failure to amend the budgets during the year based on the level of expenditures.

Recommendation: The Township of Powell, Michigan should strictly control expenditures in each governmental fund so as not to exceed the original appropriation. When this is not possible, the budget should be amended accordingly.

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Effect: The Township of Powell, Michigan is not in compliance with State Law.

Cause of Condition: Failure to setup account numbers when setting up their new computer system.

Recommendation: The Township of Powell, Michigan should setup their computer system with the account number and name for all accounts in the general ledger.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
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To the Honorable Supervisor and Township Board
Township of Powell, Michigan

Effect: Because the cash accounts are not being reconciled in the general ledger system, there is activity missing from the general ledger during the year and creates a lack of internal controls.

Cause of Condition: Failure to setup accounting system proper to reconcile the cash accounts in the general ledger.

Recommendation: We suggest, and good internal control dictates, the general ledger accounts are reconciled on a monthly basis with the appropriate accounting entries being made to the system even if a supplemental activity is being performed. This will insure accurate financial reporting on an interim basis for decision making by the Board of Trustees and management.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
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Effect: The Township of Powell, Michigan is not in compliance with State Law.

Cause of Condition: Failure to setup fund when setting up their new computer system.

Recommendation: The Township of Powell, Michigan should setup their computer system with the fund in the general ledger.

Management Response – Corrective Action Plan:

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Effect: The Township of Powell, Michigan had to process roughly 60 adjusting journal entries per the audit.

To the Honorable Supervisor and Township Board
Township of Powell, Michigan

Cause of Condition: Failure to properly setup their new computer system and install proper controls over the general ledger.

Recommendation: The Township of Powell, Michigan should properly setup their computer system and review the general ledger monthly for accuracy and completeness.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
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- Corrective Action Planned:
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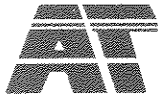
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This report is intended solely for the information and use of the Township of Powell, Michigan's board, management, and other legislative or regulatory body and is not intended to be and should not be and should not be used by anyone other than these specified parties.

We appreciate and would like to thank the Township of Powell, Michigan's staff for the cooperation and courtesy extended to us during our audit. We would be pleased to discuss any comments or answer any questions regarding our audit with you at your convenience.

Anderson, Tackman & Company, PLC
Certified Public Accountants

October 13, 2006



ANDERSON, TACKMAN & COMPANY, P.L.C.

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GREEN BAY
MILWAUKEE

October 13, 2006

To the Honorable Supervisor and Township Board
Of the Township of Powell, Michigan
PO Box 39
Big Bay, MI 49808

We have audited the financial statements of the Township of Powell; Michigan for the year ended March 31, 2006, and has issued our report thereon dated October 13, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Township of Powell, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatements, we performed test of the Township of Powell, Michigan's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of the accounting policies and their application. The significant accounting policies used by the Township of Powell, Michigan are described in Footnotes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Township of Powell, Michigan during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

To the Honorable Supervisor and Township Board
Of the Township of Powell, Michigan

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township of Powell; Michigan's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township of Powell, Michigan, either individually or in the aggregate, indicate matters that could have a significant effect on the Township of Powell, Michigan's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Powell, Michigan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Conclusion

This information is intended solely for the use of the Township of Powell, Michigan Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants